

2021 INTERIM SILVER MARKET REVIEW

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M# METALS FOCUS

The Silver Institute

Philip Newman & Adam Webb, Metals Focus

November 17th 2021



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Silver up sharply on both 2020 and 2019



Source: Bloomberg



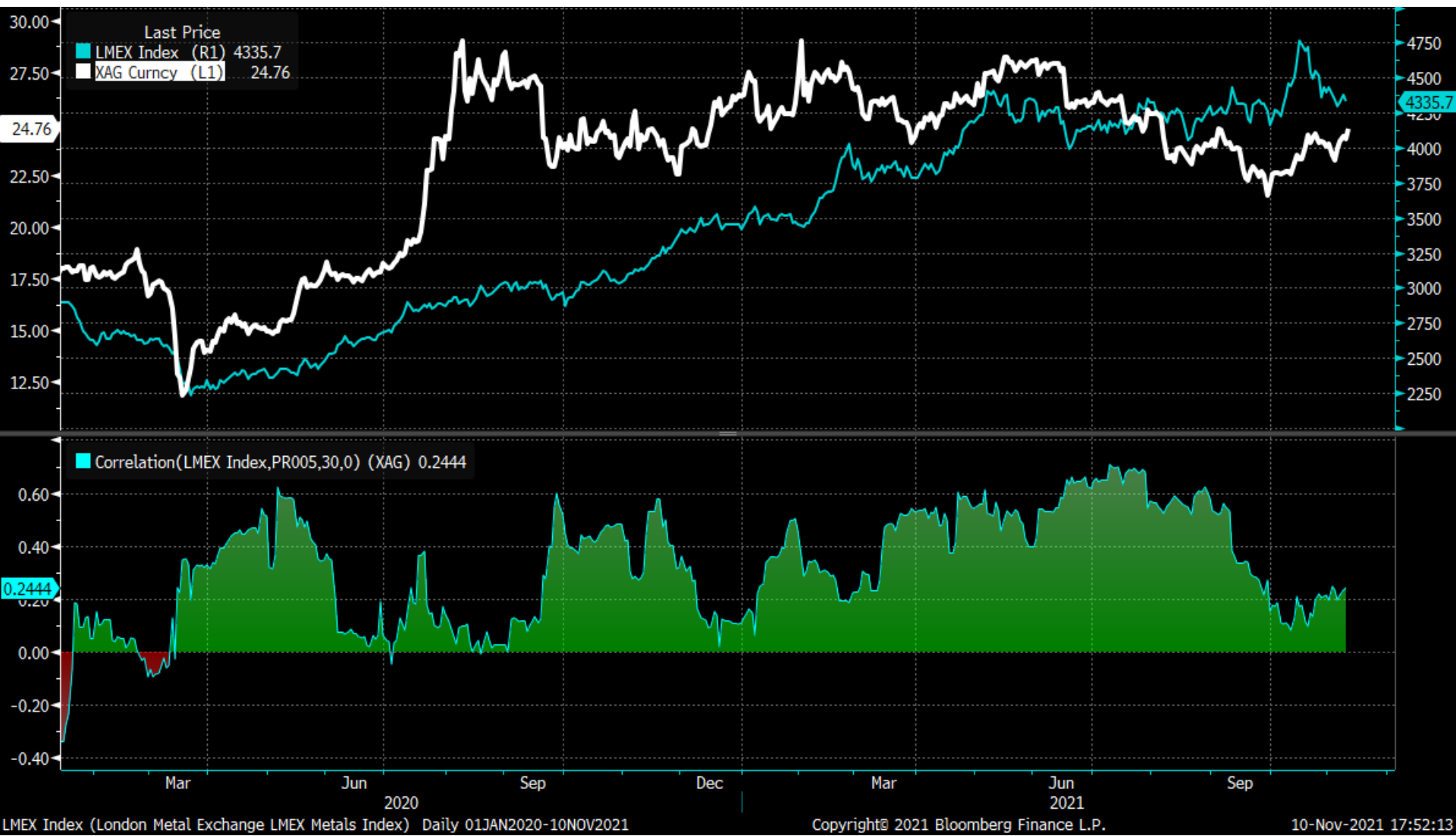
gold-silver dynamic remains the principal driver



Source: Bloomberg



Links with base metals weakened recently



LME Index (London Metal Exchange LME Metals Index) Daily 01JAN2020-10NOV2021

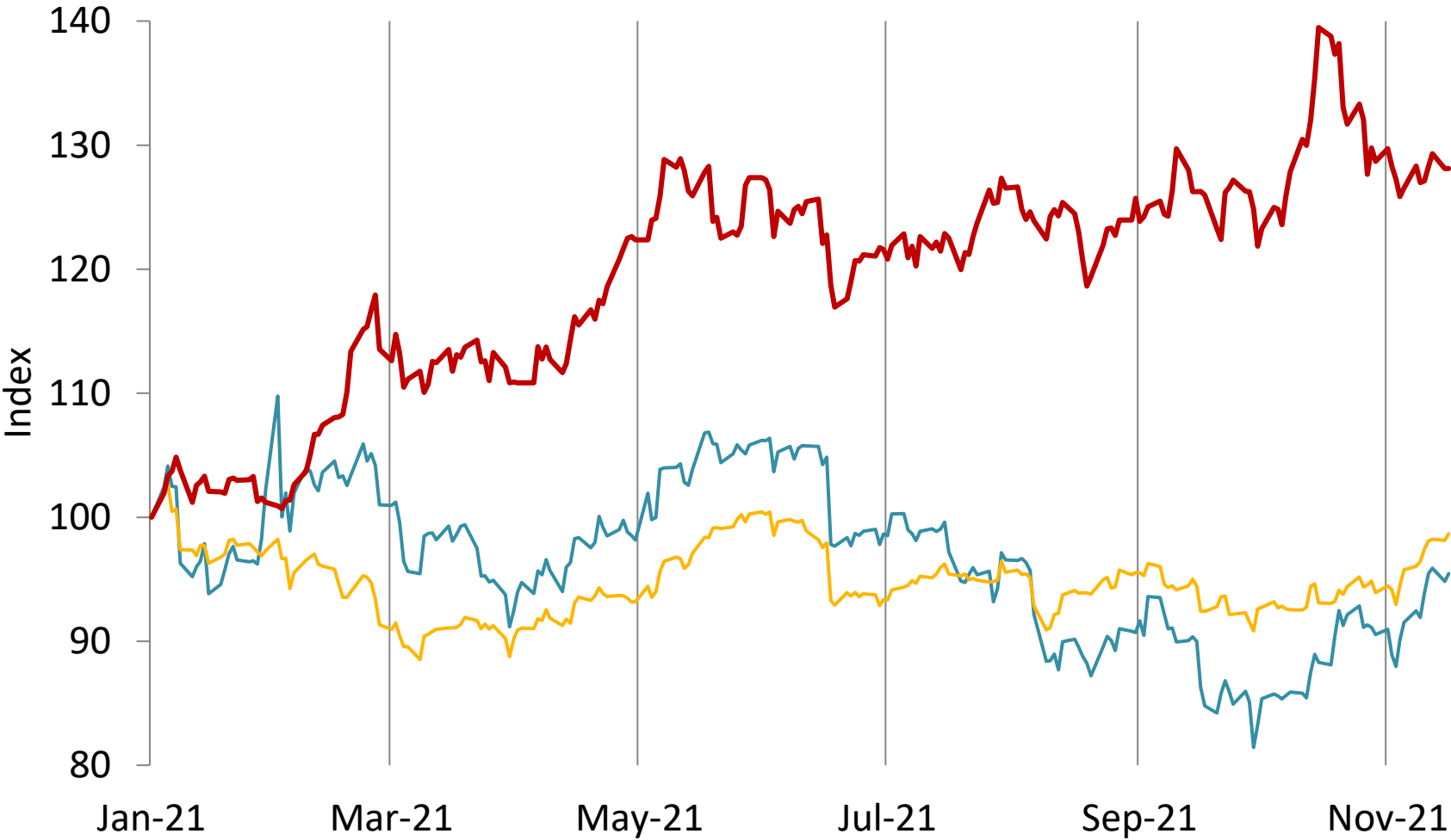
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10-Nov-2021 17:52:13

Source: Bloomberg



But a challenging intra-year performance



— Silver Price — Gold Price — LME Index

Source: Bloomberg



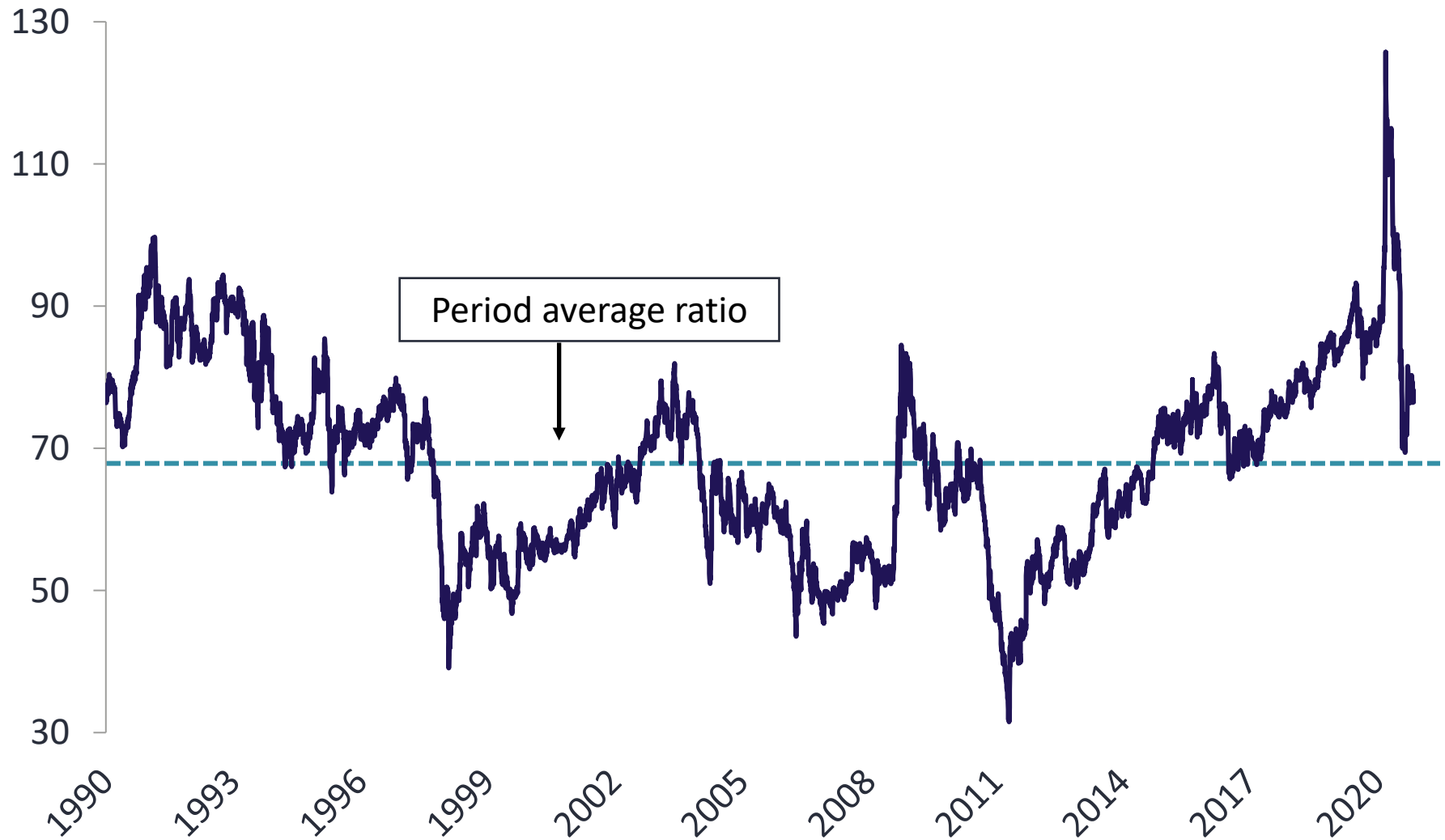
The gold:silver ratio has risen from its February low



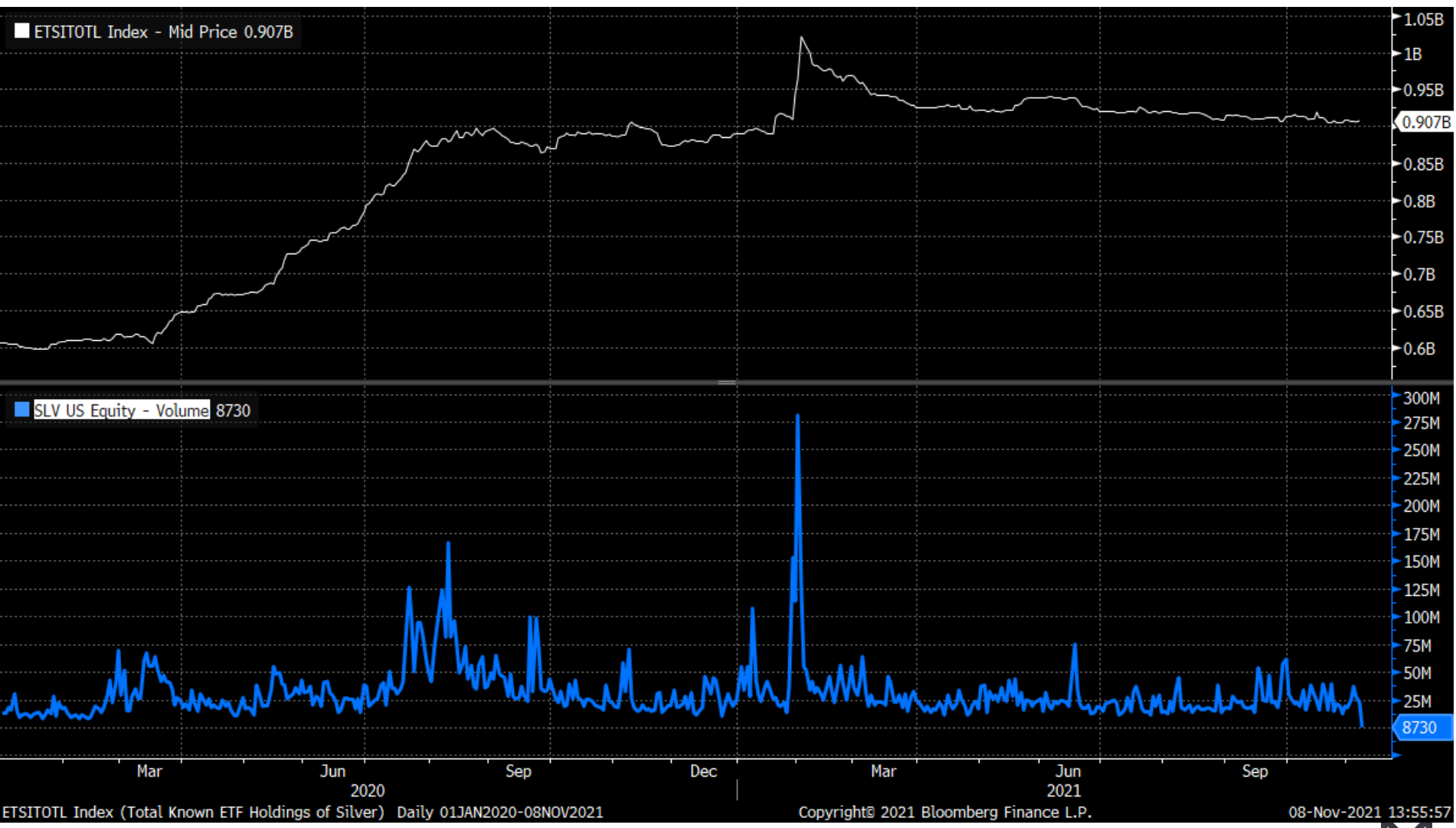
Source: Bloomberg



Overall, it remains just above the long-term average



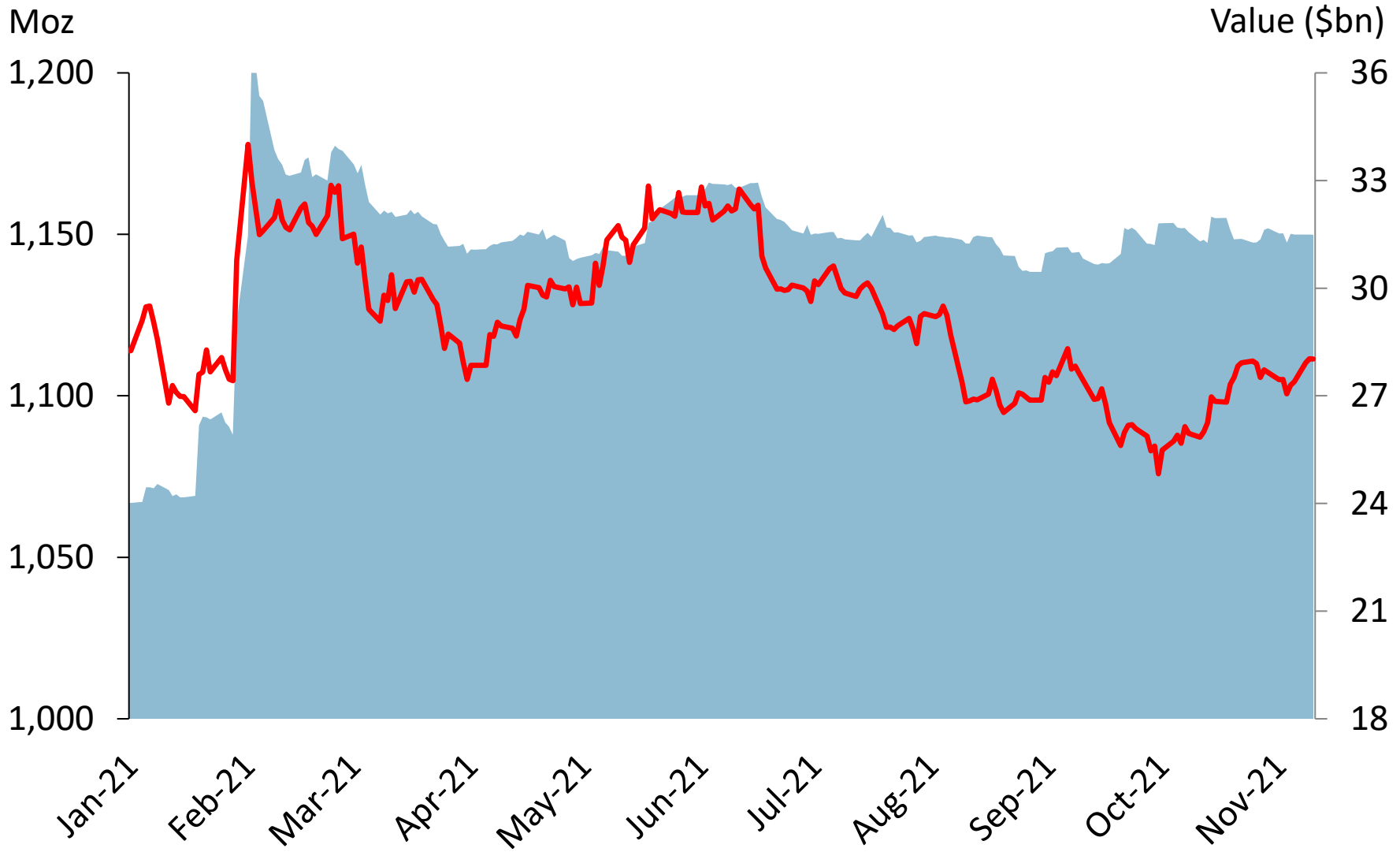
Silver ETPs: the social media effect



Source: Bloomberg, various ETF issuers



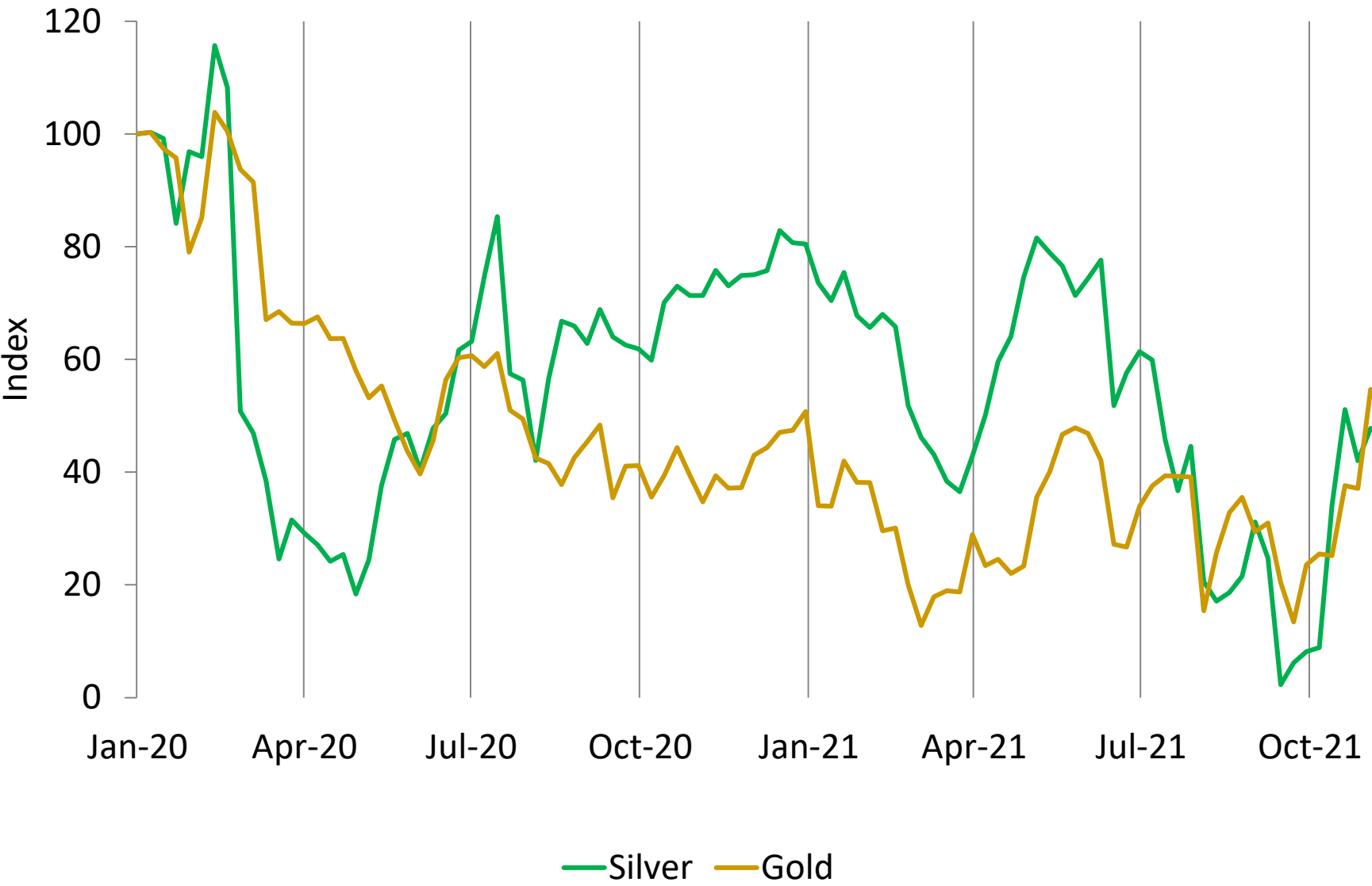
ETP holdings have broadly stabilized; still near record highs



Source: Bloomberg, various ETF issuers



Investor positioning has improved, but remains subdued

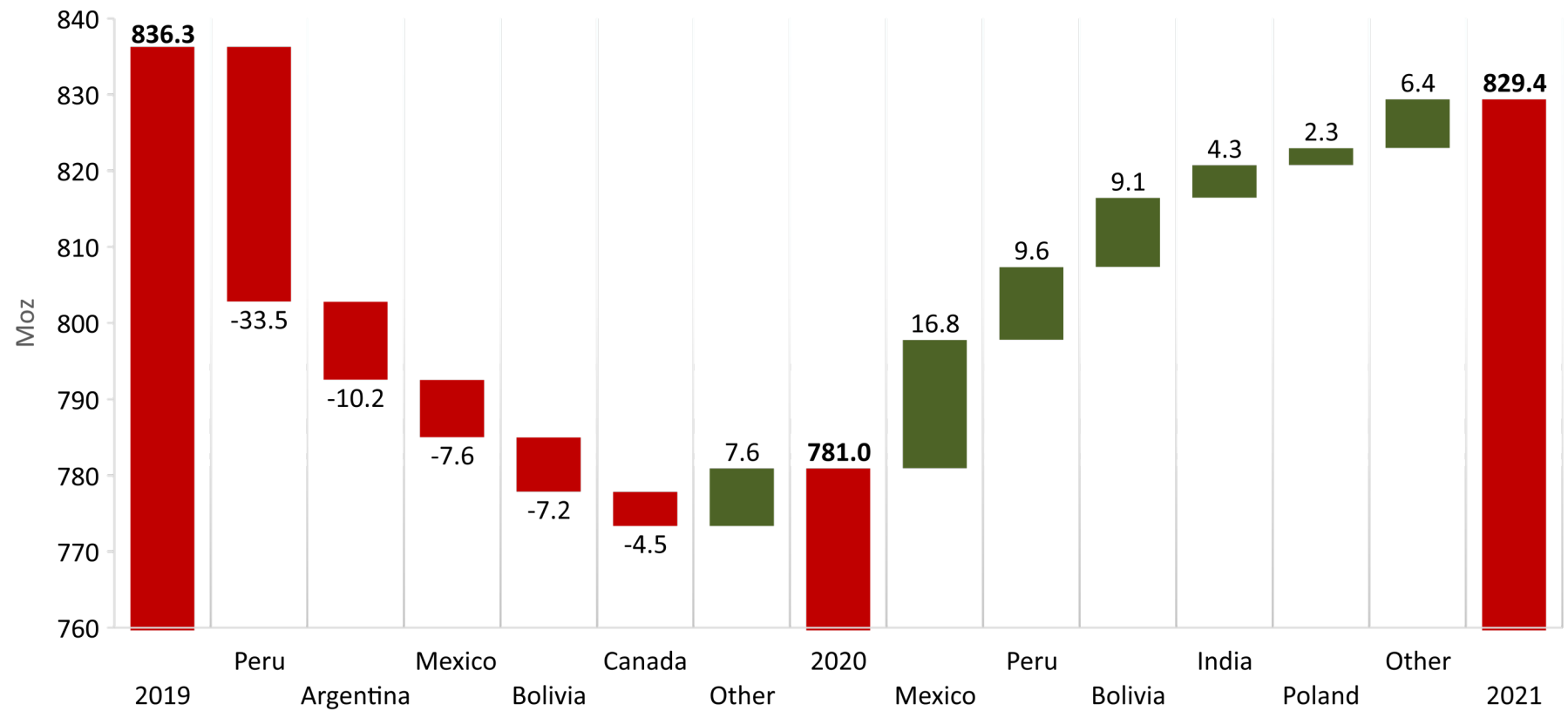


Source: Bloomberg



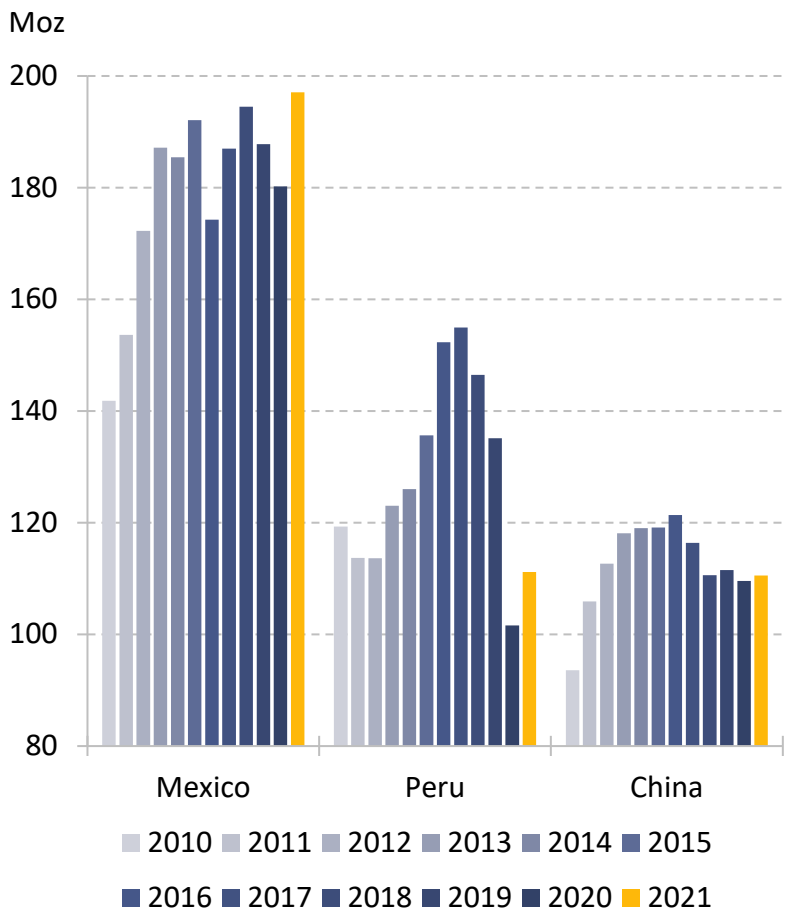
Silver production recovers after COVID-19 disruption in 2020

Mined silver production is expected to rise by 6% y/y in 2021 as most mines have been able to operate at full capacity throughout the year following COVID-19 stoppages in 2020. Output is expected to reach 829Moz, returning close to 2019 levels.

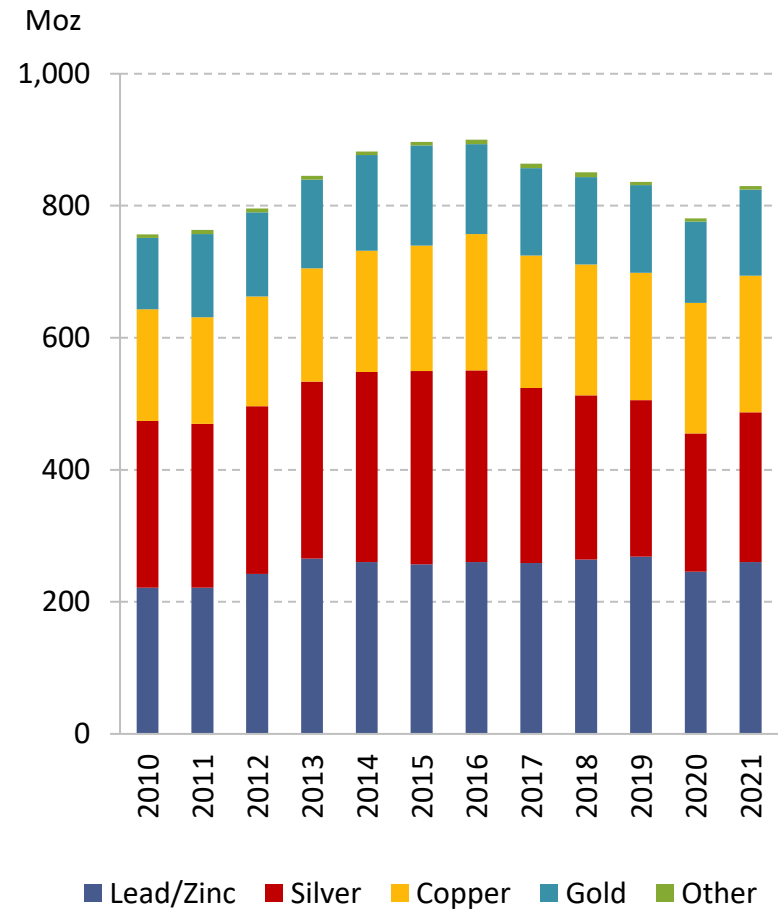


Mexican output to reach new high

Mexican output hits a new high while Peruvian production remains low despite y/y rise.



Primary silver mines will account for 30% of total production this year.

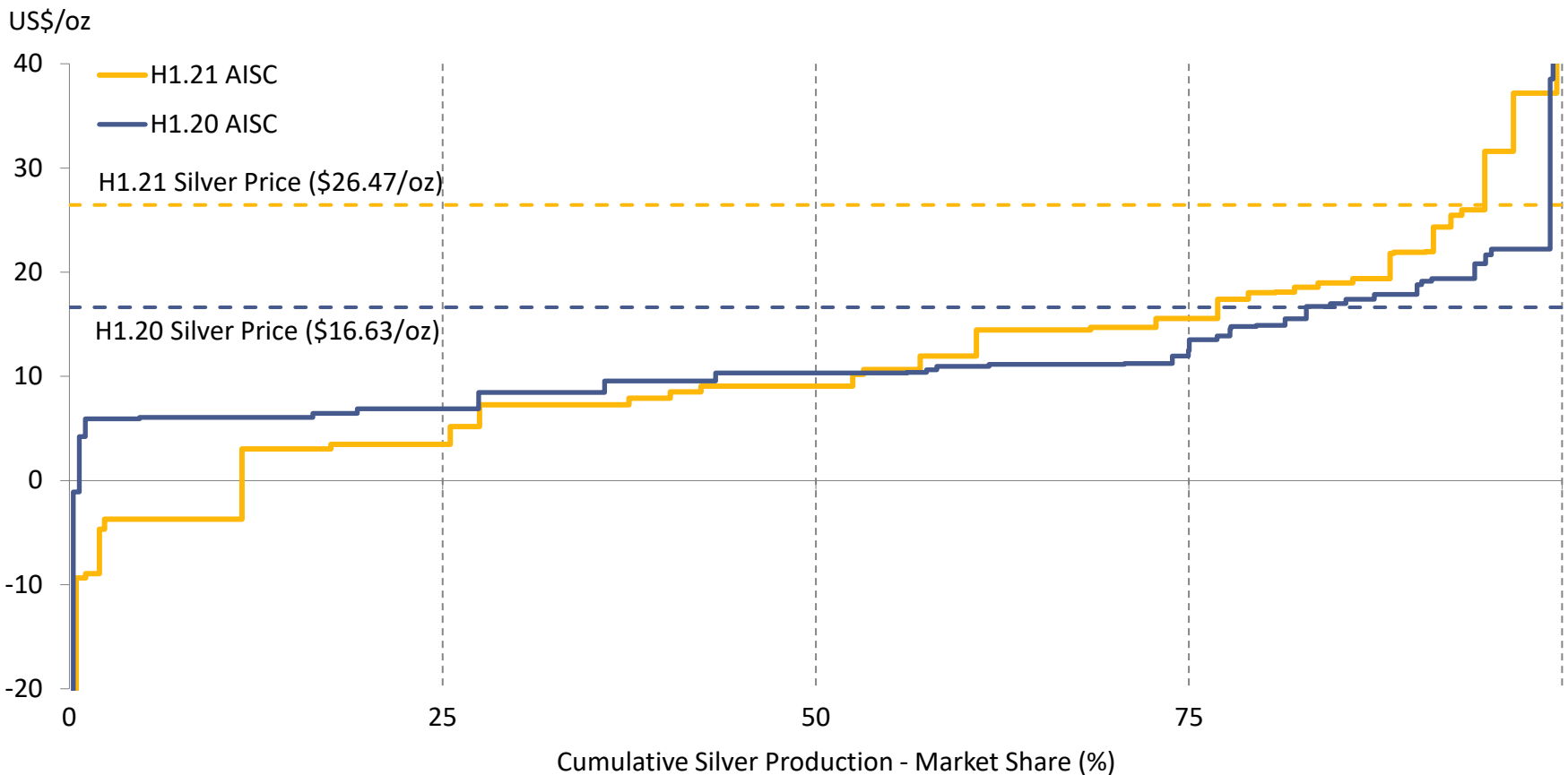


Source: Metals Focus



Costs declined year-on-year in H1.21

Average AISC for primary silver mines in H1.21 was down by 5% y/y to \$10.63/oz due to a rise in by-product credits. Higher prices y/y have meant only 5% of the cost curve was operating with AISC above the silver price compared with 17% in H1.20.



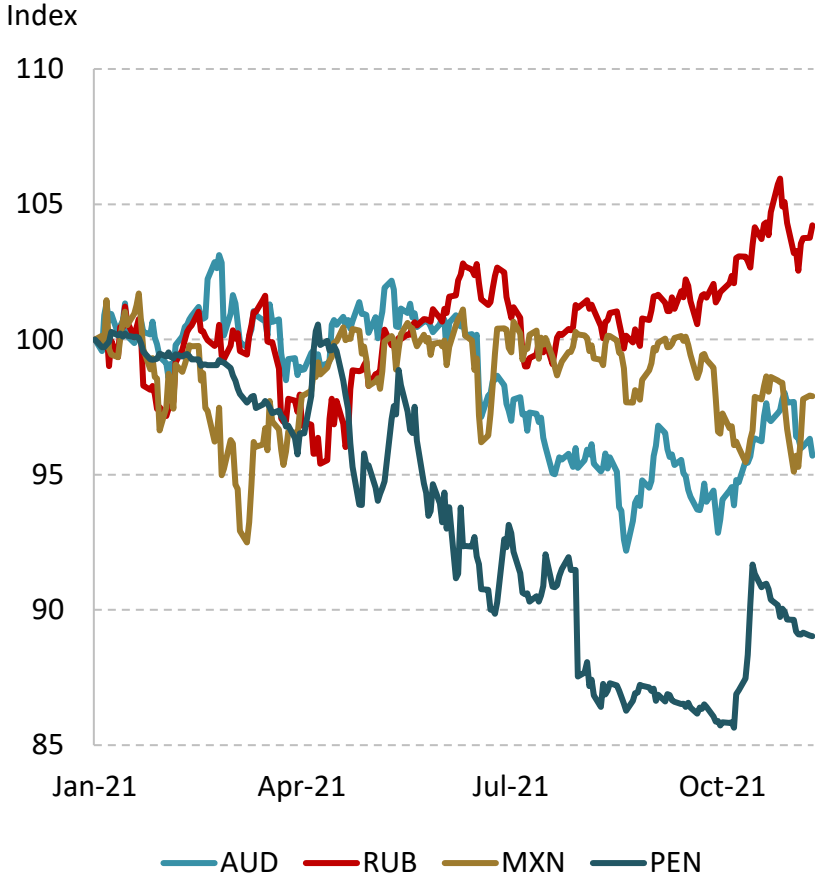
Note: costed production = c.80% of primary silver supply

Source: Metals Focus – Silver Mine Cost Service 14

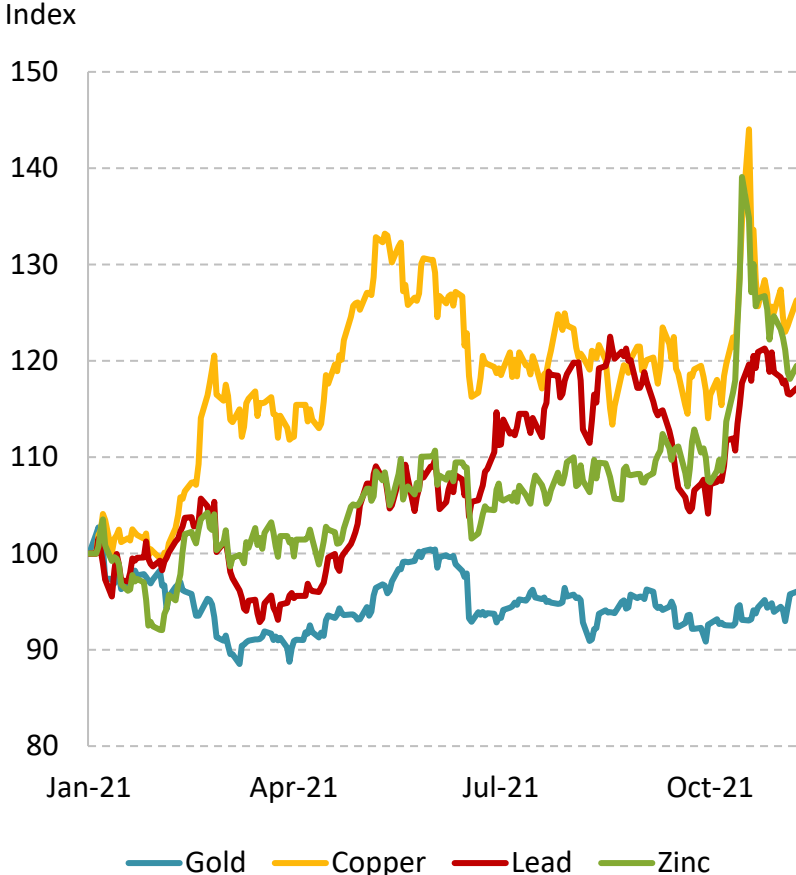


FX rates and rising metal prices offset input cost inflation

Local currency weakness to the US dollar has constrained costs in some countries.



Base metal prices have been rising throughout the year pushing by-product credits higher.

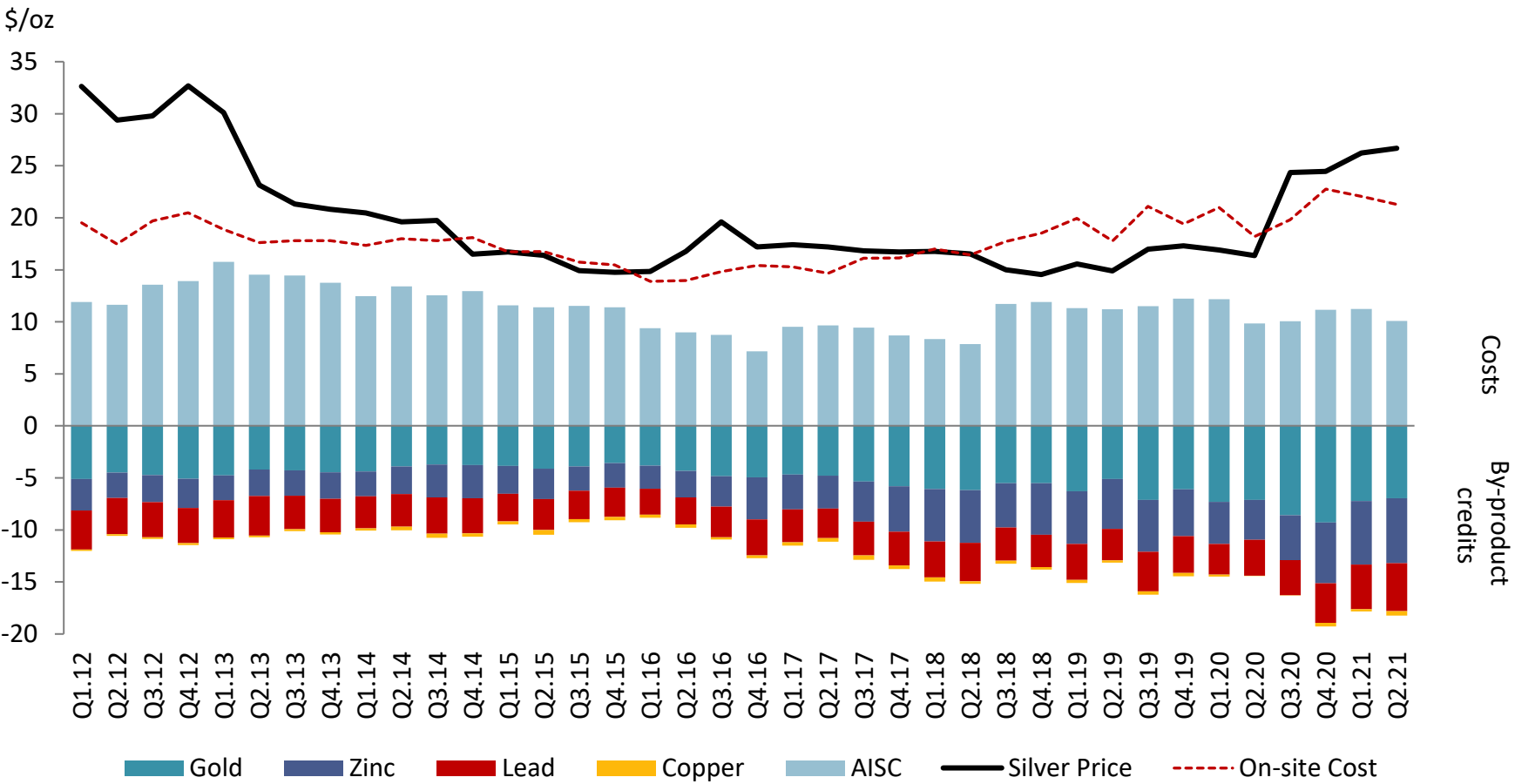


Note: AUD - Australian dollar, RUB - Russian ruble, MXN - Mexican peso, PEN - Peruvian sol
Source: Bloomberg, Metals Focus



Rising base metal prices to push by-product credits higher

Increasing by-product credits have been constraining costs and their influence is likely to increase in H2.21 driven by rising base metal prices. This, combined with strong silver prices, will ensure margins remain healthy for primary silver miners.

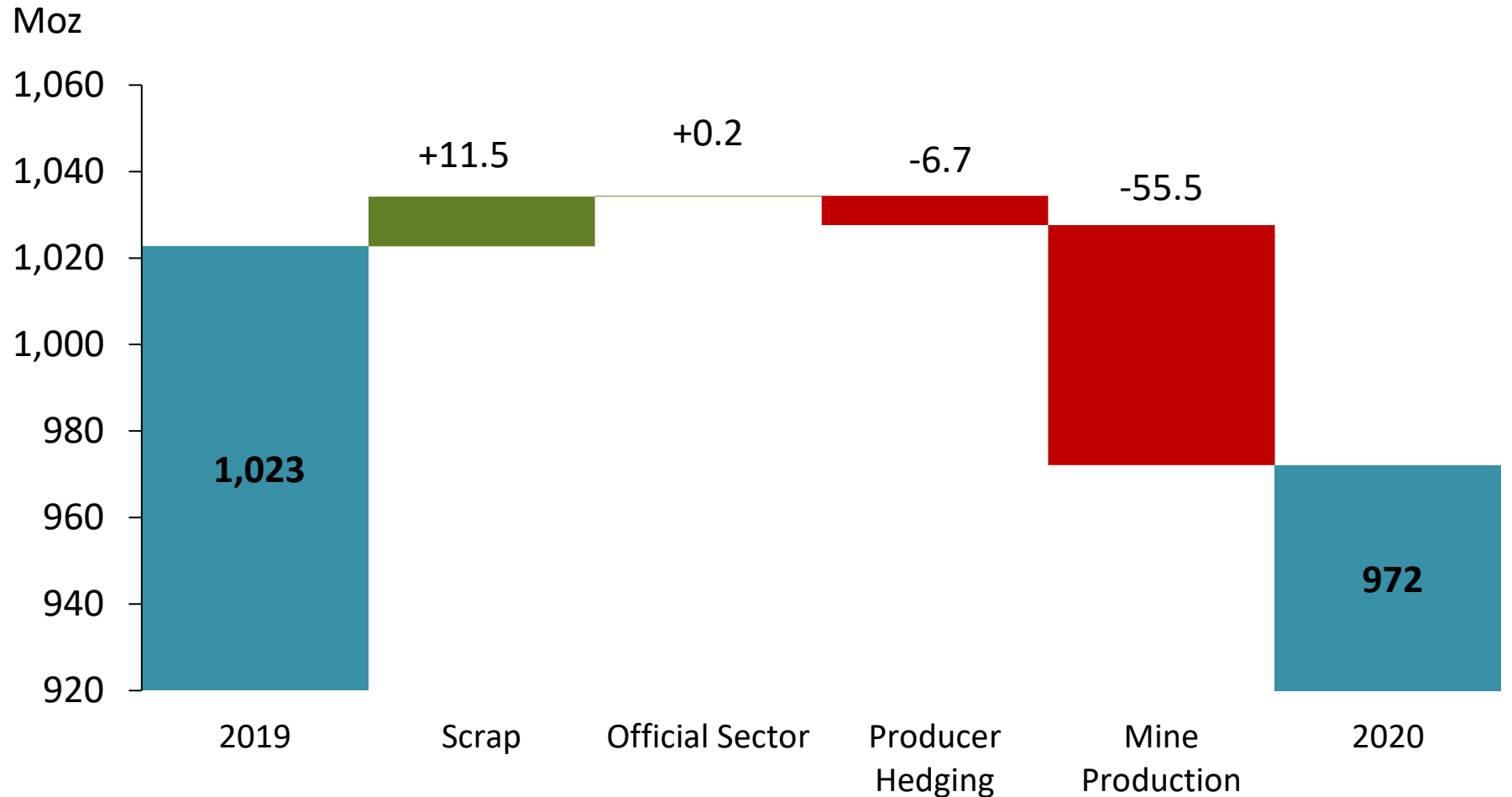


Notes: All-in Sustaining Costs (AISC) are net of by-product credits. On-site cost = Mining cost + Ore treatment cost + Mine site general & administration cost

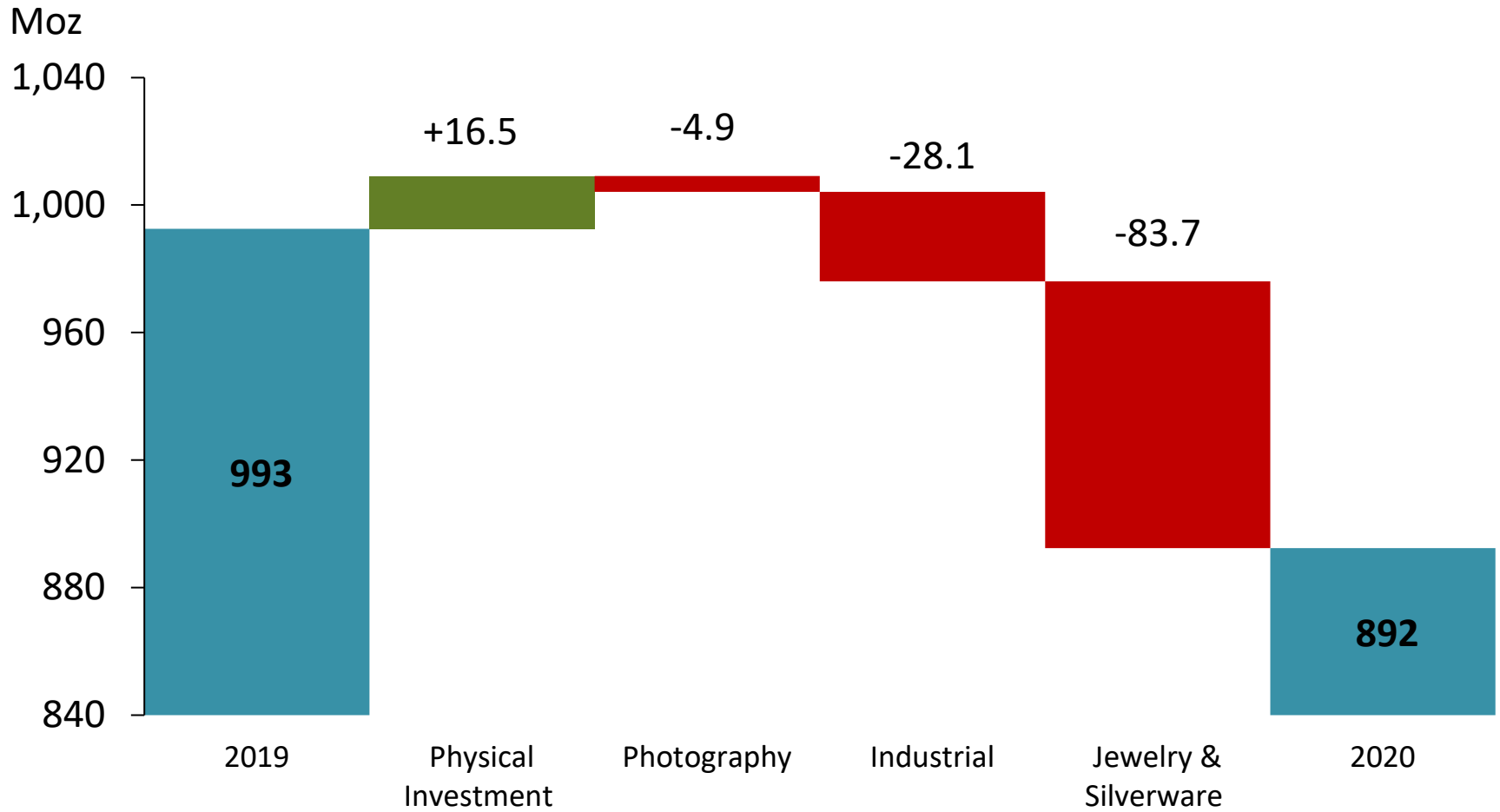
Source: Metals Focus – Silver Mine Cost Service



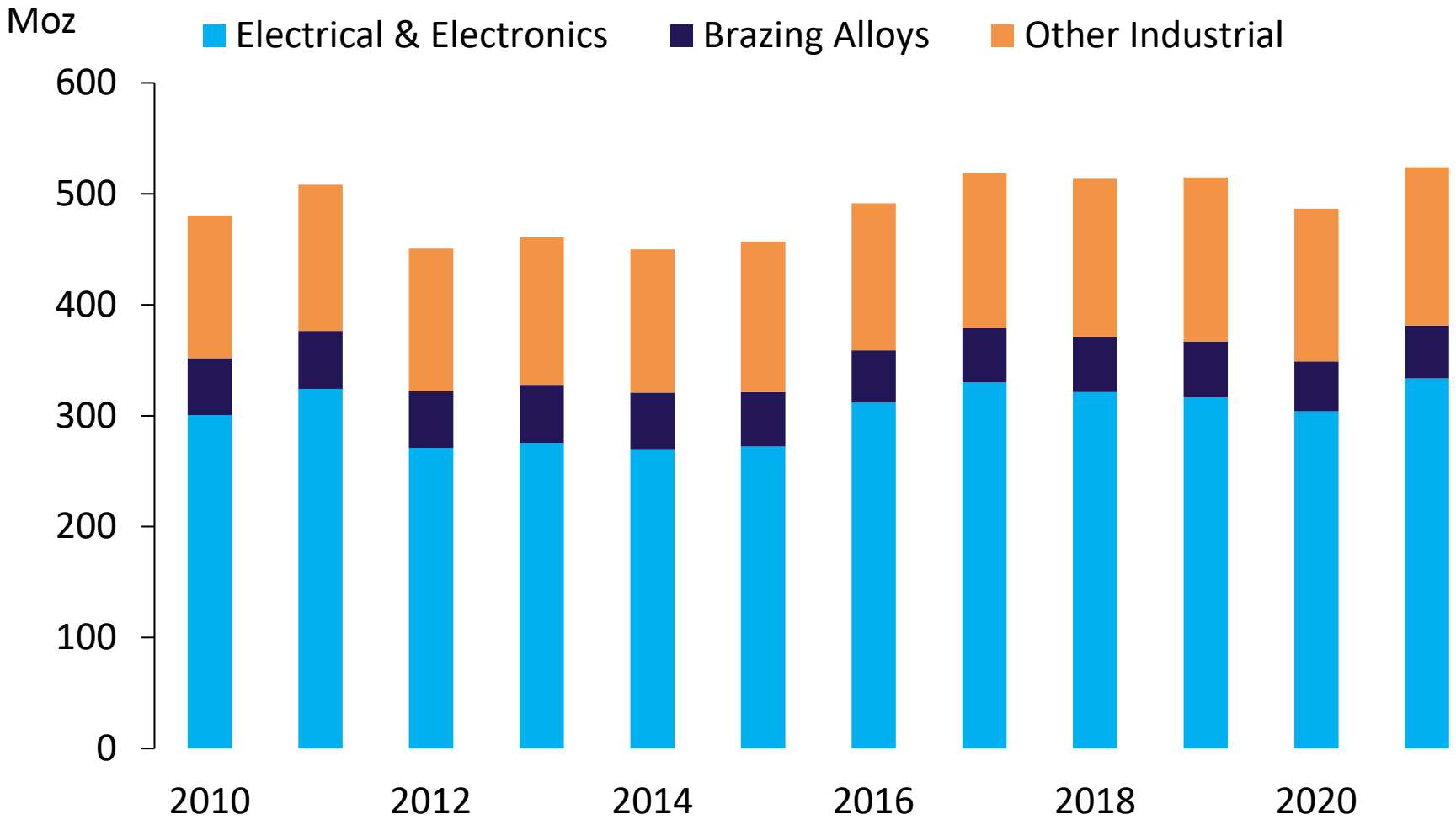
Global supply summary



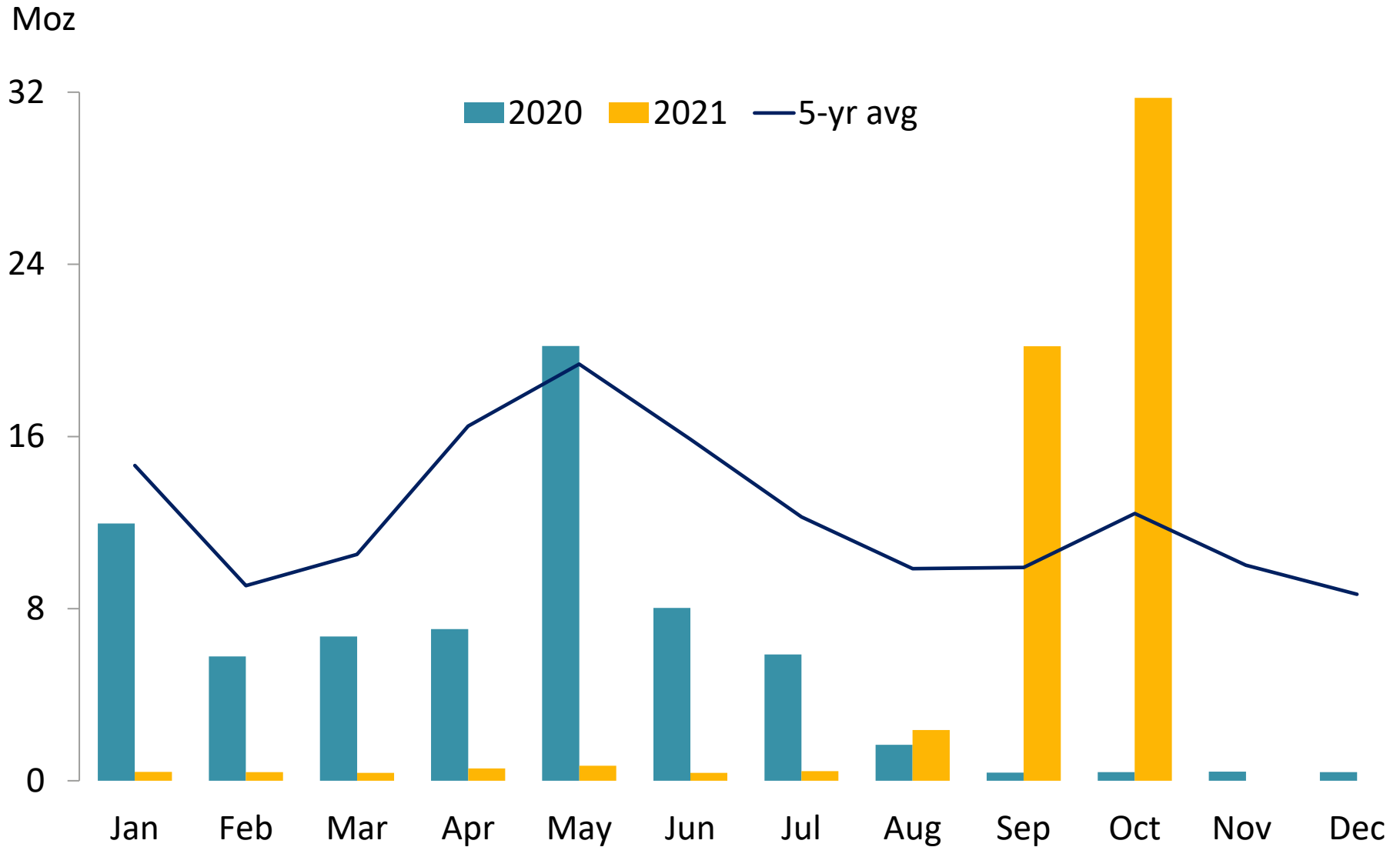
Global demand summary



Industrial demand, setting a new high

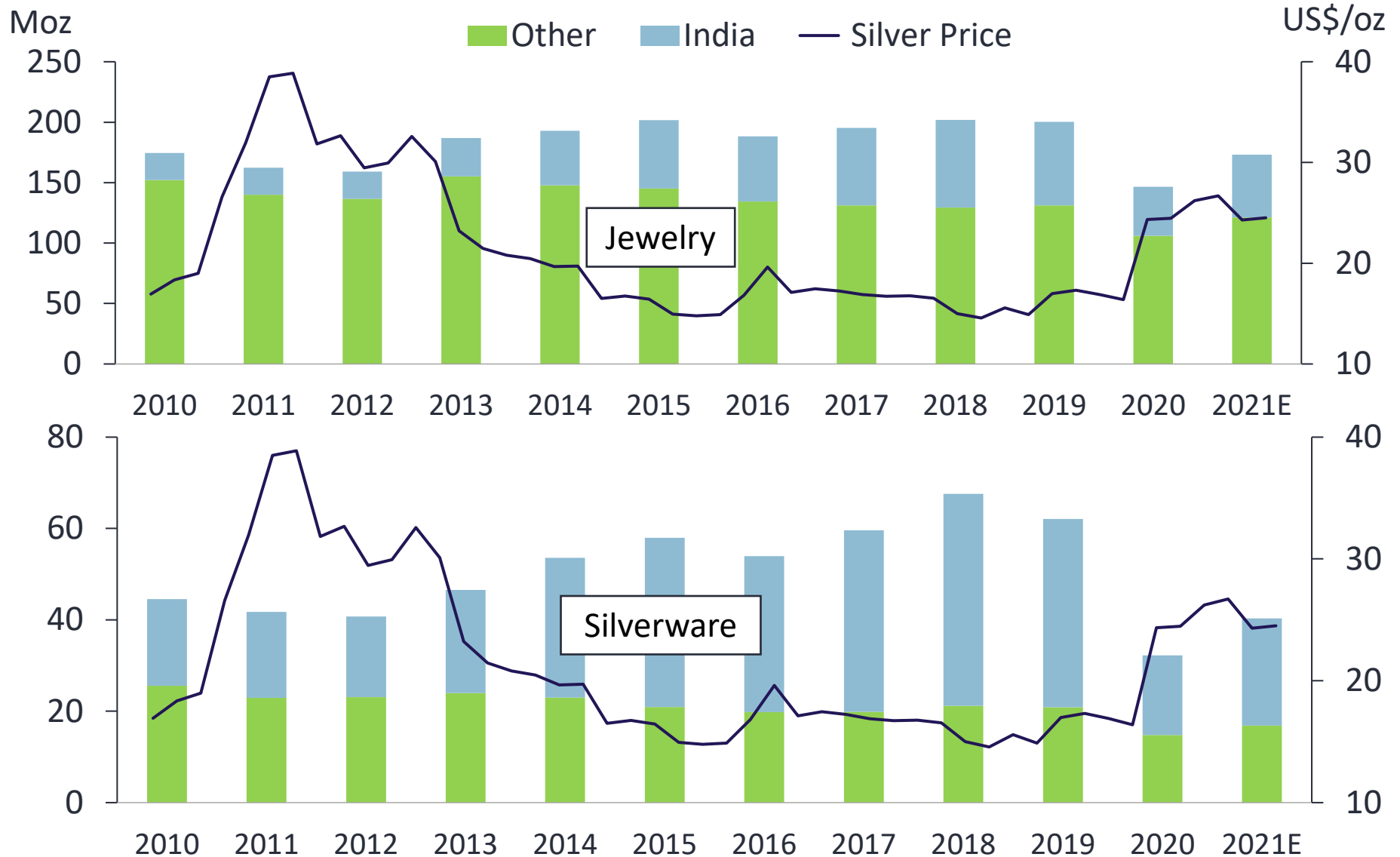


Jump in Indian imports, helps explain recent tightness



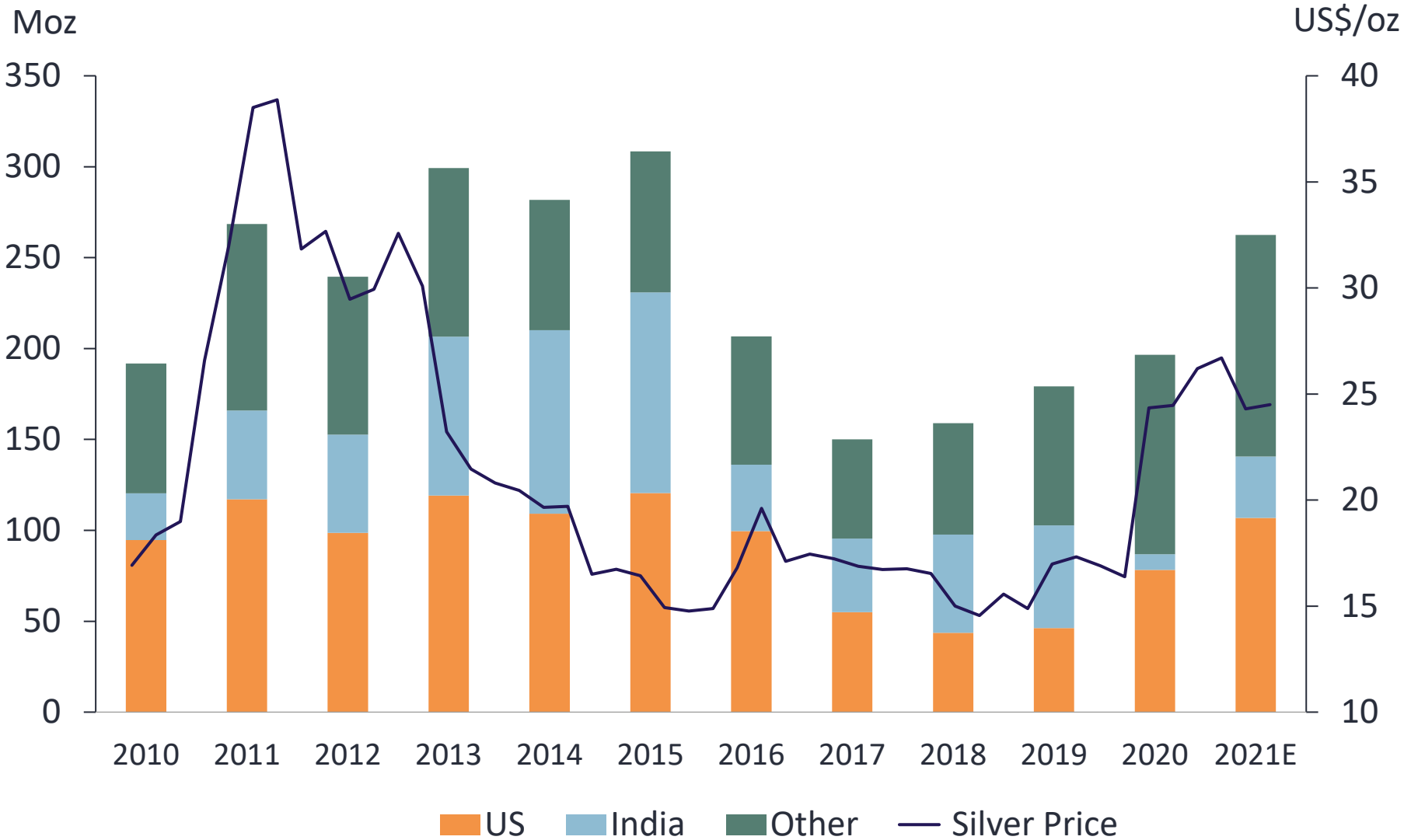
Source: India Customs

Jewelry & silverware partially recover



Source: Metals Focus

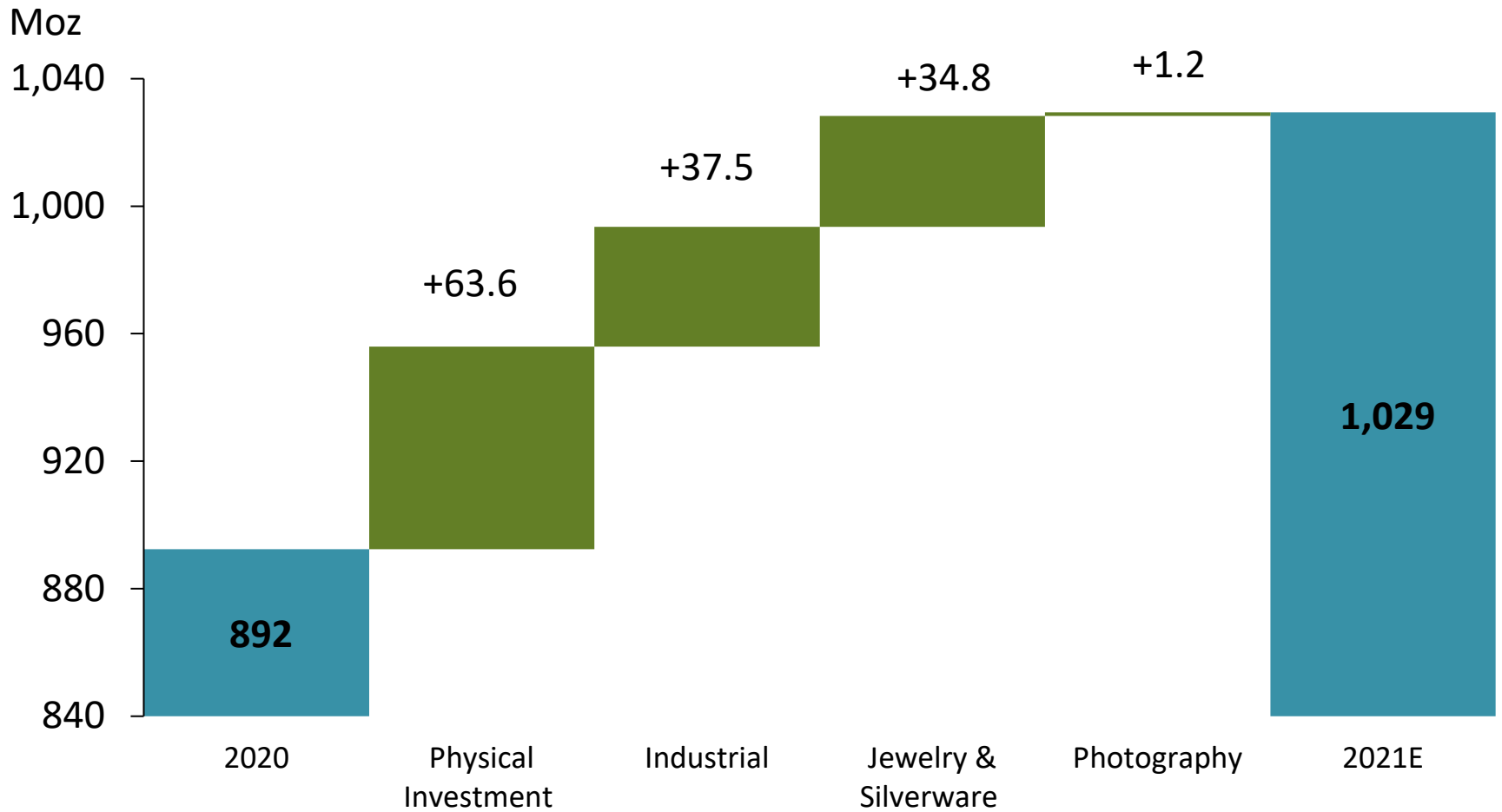
Bar and coin investment enjoys a strong recovery



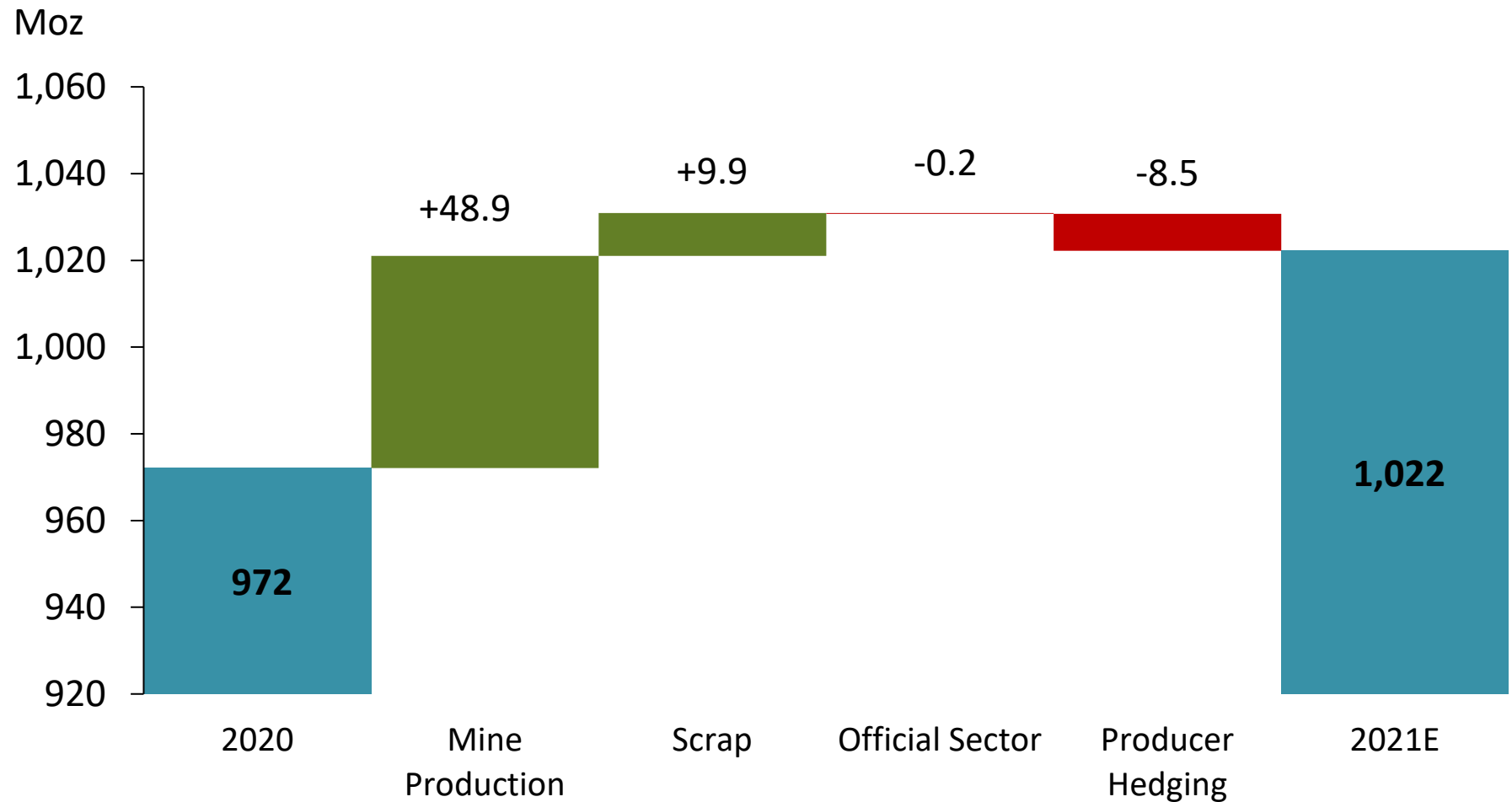
Source: Metals Focus



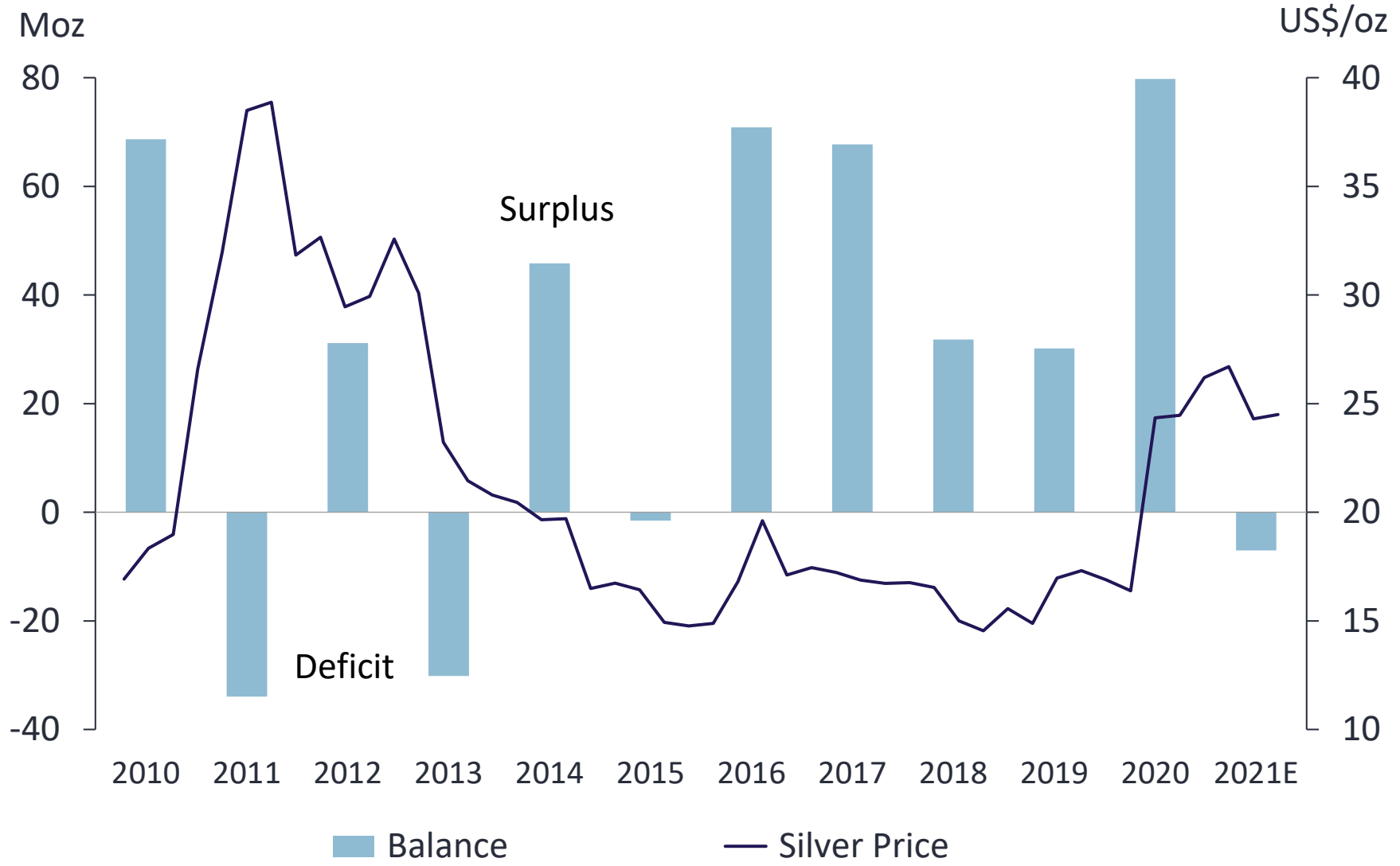
Global demand summary



Global supply summary



Market moves into a deficit



The macro environment remains pivotal

US headline inflation surged to 31-year highs of 6.2% in October



Source: Bloomberg



The macro environment remains pivotal

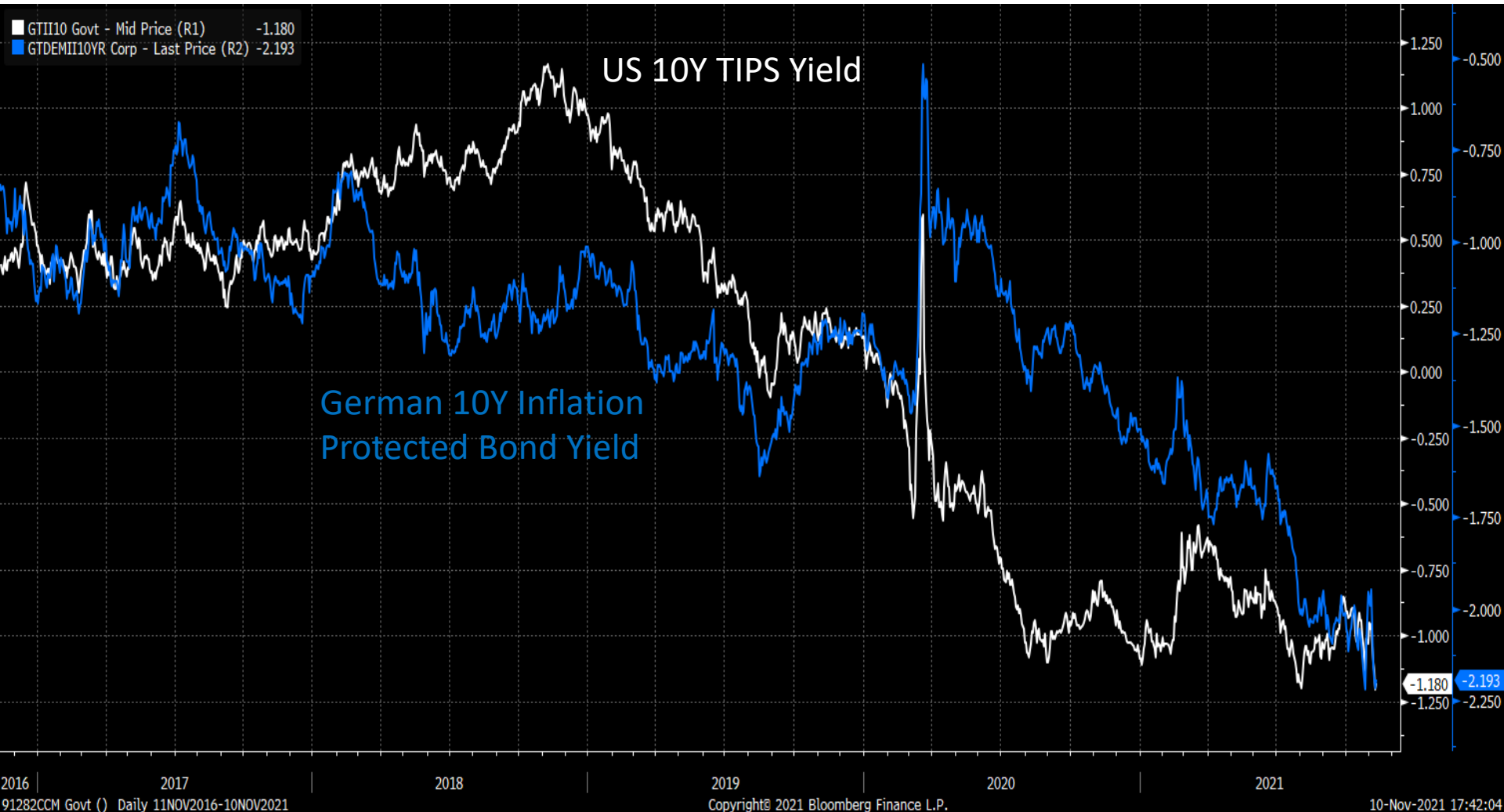
5Y forward inflation expectation has surged above 3%, raising doubts whether current inflationary pressure will be transitory



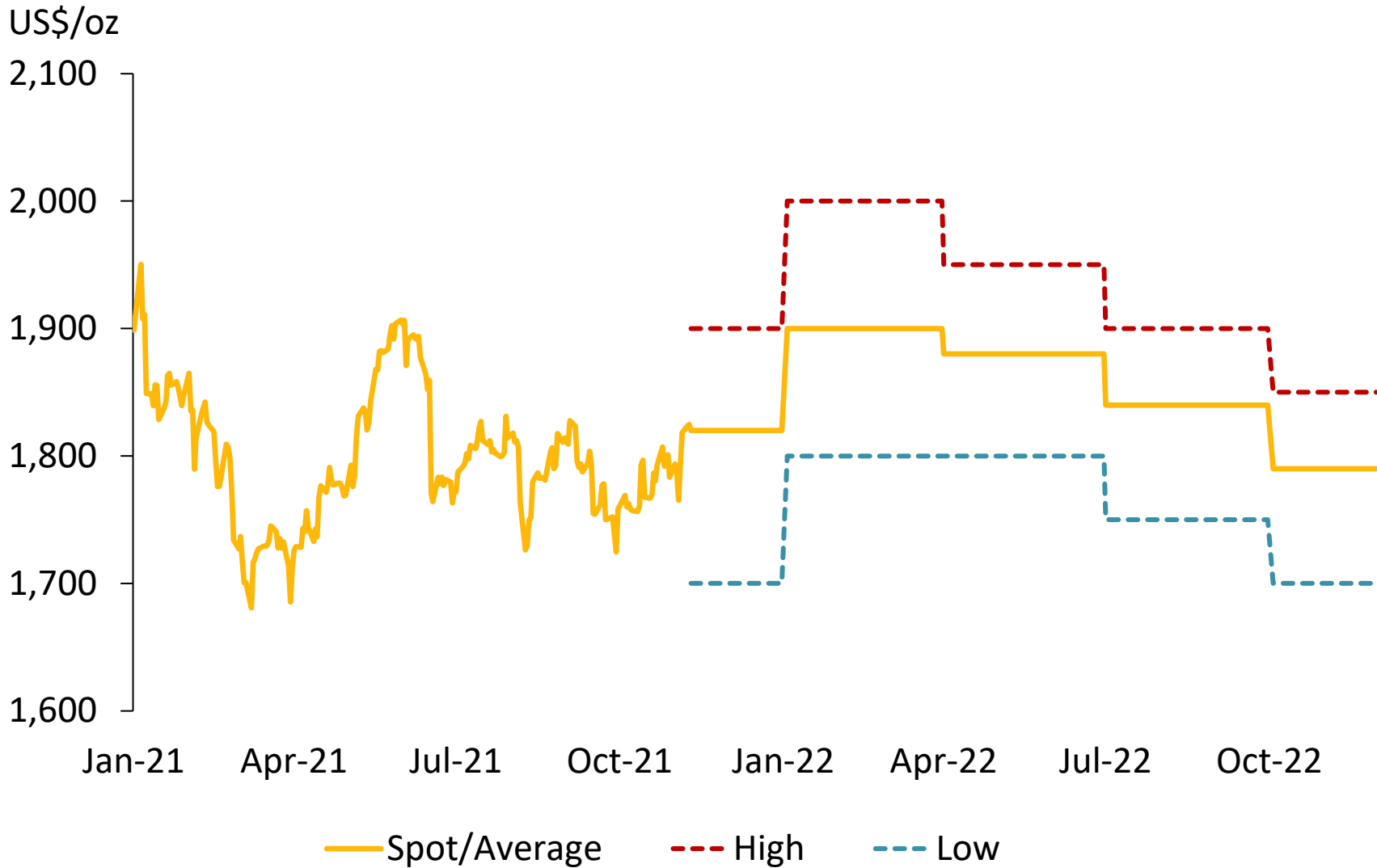
Source: Bloomberg

The macro environment remains pivotal

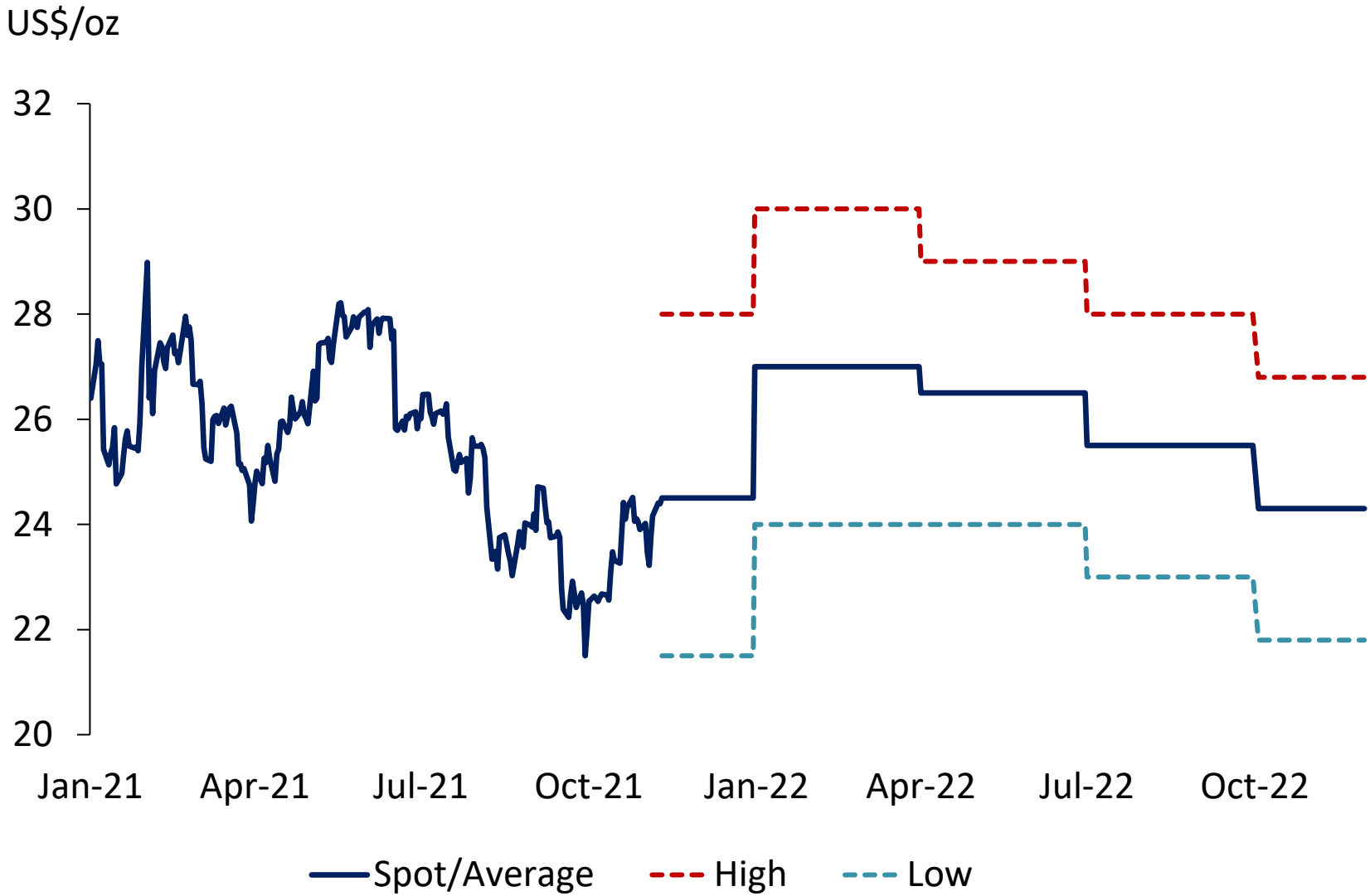
Record low yields in real terms keep the cost of carrying silver minimal



Gold Forecast, 2021: \$1,805, +2%



Silver Forecast, 2021: \$25.40, +24%



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